



**KINGSTON WHARVES LIMITED**

**INTERIM REPORT TO STOCKHOLDERS**

SECOND QUARTER  
6 MONTHS ENDED 30 JUNE 2015



## CHAIRMAN'S REPORT

The Directors are pleased to present the unaudited results of the Kingston Wharves Group for the six months ended June 30, 2015.

Kingston Wharves Limited (KWL) generated revenues for the period of \$2.15 billion, a 21% or \$374.0 million increase over the corresponding period of 2014. Net profit attributable to shareholders increased by \$73.3 million - 21% higher than the relative period in the prior year, moving from \$353.9 million to \$427.0 million. This represents earning per stock unit of 29.85 cents; comparing favourably with the 24.74 cents recorded as at June 30, 2014.

Revenues for the quarter reflected an increase of \$210.9M or 23% over the corresponding period of the previous year. The Group continued positive performances are being realized from its strategic positioning as a regional centre for seaport, logistics and value-added services. Transshipment container volumes handled at the KWL Terminal, during the six months period, increased by 20% over the prior year, while domestic container volumes and motor units grew by a further 22% and 7% respectively.

The Group's results also continued to be positively impacted by a focused cost management programme which is reflected in the marginal increases in operating and administrative expenses and steady gross profit margins when compared to the comparative period. The Group experienced foreign exchange gains associated with the depreciation of the Jamaica dollar. This gain was below the levels experienced in the prior year and resulted in a reduction in other income.

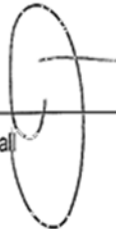
Among the notable benchmarks of the quarter was the provision of Third Party Logistics ("3PL") services to a major international player in the local tourism industry. Activities at KWL supported the management of goods in their service-supply-chain and afforded scaled distribution and transfers to the company's facility, based on demand.

Group subsidiaries, Security Administrators Limited (SAL) and Harbour Cold Stores (HCS) contributed 14% of overall revenue for the sixth month period, increasing by 11% from \$246.5 million at the end of the corresponding period of 2014 to \$273.7 million.

During the ensuing months we will continue to execute initiatives geared towards increasing shareholder value through the provision of logistics solutions, and the strengthening of our terminal management operations.

We continue to take active interest in the development of our community through outreach and sponsorship of various initiatives in the areas of education and sports. The Group, together with other stakeholders, remains committed to the project to develop a new, best-practise early childhood institution in the Union Gardens community. The school will complete its construction phase at the end of August 2015 and is to be handed over to the Ministry of Education for opening at the start of the upcoming academic year.

The ensuing quarters will see a further concentration on our aggressive growth strategies, which we pursue with the dual goal of increasing value to our shareholders and exceeding our customers' expectations. We have made significant strides in this regard and thank all our stakeholders for their continued confidence and support.

  
Jeffrey Hall Chairman

**Kingston Wharves Limited**  
**Group Income Statement (Unaudited)**  
**Six months ended 30 June 2015**

*(expressed in Jamaican dollars unless otherwise indicated)*

	3 Months to 30/06/2015	3 Months to 30/06/2014	6 Months to 30/06/2015	6 Months to 30/06/2014
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>	1,138,444	927,510	2,154,007	1,780,044
Cost of sales	(663,351)	(510,083)	(1,263,539)	(1,005,626)
<b>Gross Profit</b>	475,093	417,427	890,468	774,418
Other Operating income	47,098	66,520	79,965	163,775
Administrative expenses	(197,723)	(199,864)	(396,848)	(393,089)
<b>Operating Profit</b>	324,468	284,083	573,585	545,104
Finance costs	(47,934)	(59,445)	(85,155)	(130,516)
<b>Profit before Taxation</b>	276,534	224,638	488,430	414,588
Taxation	(33,944)	(4,744)	(57,151)	(59,353)
<b>Net Profit for the Period</b>	242,590	219,894	431,279	355,235
<b>Net Profit Attributable to:</b>				
Equity holders of the company	239,853	218,758	426,962	353,884
Minority interest	2,737	1,136	4,317	1,351
	242,590	219,894	431,279	355,235
Number of Stock Units Issued ('000)	1,430,200	1,430,200	1,430,200	1,430,200
<b>EARNINGS PER STOCK UNIT</b>				
attributable to the stockholders of the company expressed in cents per share	<b>16.77</b>	<b>15.30</b>	<b>29.85</b>	<b>24.74</b>

**Kingston Wharves Limited**  
**Group Statement of Comprehensive Income (Unaudited)**  
**Six months ended 30 June 2015**

*(expressed in Jamaican dollars unless otherwise indicated)*

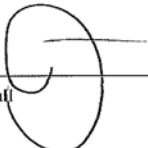
	3 Months to 30/06/2015	3 Months to 30/06/2014	6 Months to 30/06/2015	6 Months to 30/06/2014
	\$'000	\$'000	\$'000	\$'000
<b>Net Profit for the Period</b>	242,590	219,894	431,279	355,235
<b>Other Comprehensive Income</b>				
Derecognition of revaluation surplus on property, plant and equipment	-	-	(245,000)	-
Deferred tax effect on remeasurement of PPE current year	15,884	-	57,092	-
Deferred tax effect on derecognition of revaluation surplus	-	-	17,322	-
<b>Other Comprehensive Income for period net of Tax</b>	<u>15,884</u>	<u>-</u>	<u>(170,586)</u>	<u>-</u>
<b>Total Comprehensive Income for the period</b>	<u>258,474</u>	<u>219,894</u>	<u>260,693</u>	<u>355,235</u>
<b>Total Comprehensive Income Attributable to:</b>				
Equity holders of the company	255,737	218,758	256,376	353,884
Minority interest	2,737	1,136	4,317	1,351
	<u>258,474</u>	<u>219,894</u>	<u>260,693</u>	<u>355,235</u>

**Kingston Wharves Limited**  
**Group Statement of Financial Position (Unaudited)**  
**30 June 2015**

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 30/Jun/15 \$ '000	Audited 31/Dec/14 \$ '000	Unaudited 30/Jun/14 \$ '000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	16,046,608	16,121,451	12,317,014
Intangible assets	329,710	367,921	391,032
Recoverable from special reserves fund	-	32,730	-
Due from related party	102,405	102,405	101,472
Deferred income tax assets	1,337	1,337	1,122
Retirement benefit asset	679,828	679,828	653,321
	<u>17,159,888</u>	<u>17,305,672</u>	<u>13,463,961</u>
<b>Current Assets</b>			
Inventories	214,363	187,420	182,816
Trade and other receivables	534,922	586,747	659,148
Taxation recoverable	8,872	11,752	10,544
Short term investments	1,707,559	1,747,912	1,451,255
Cash and bank	1,180,524	1,161,523	1,112,910
	<u>3,646,240</u>	<u>3,695,354</u>	<u>3,416,673</u>
<b>Total Assets</b>	<u><u>20,806,128</u></u>	<u><u>21,001,026</u></u>	<u><u>16,880,634</u></u>
<b>EQUITY</b>			
<b>Stockholders' Equity</b>			
Share capital	2,079,398	2,079,398	2,079,398
Capital reserves	10,757,003	10,979,829	7,183,891
Asset replacement/rehabilitation, depreciation reserves and 16% reserves	215,792	215,668	215,526
Retained earnings	4,103,914	3,683,366	3,564,462
	<u>17,156,107</u>	<u>16,958,261</u>	<u>13,043,277</u>
<b>Minority Interest</b>	<u>70,513</u>	<u>66,196</u>	<u>60,885</u>
	<u>17,226,620</u>	<u>17,024,457</u>	<u>13,104,162</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Borrowings	1,335,329	1,490,542	1,321,361
Deferred income tax liabilities	1,135,802	1,110,748	1,299,521
Long Term Liabilities	17,257	84,510	80,019 *
Retirement benefit obligations	201,449	201,449	179,944
	<u>2,689,837</u>	<u>2,887,249</u>	<u>2,880,845</u>
<b>Current Liabilities</b>			
Trade and other payables	453,197	619,722	425,905 *
Taxation	34,246	31,768	10,315
Borrowings	402,228	437,830	459,407
	<u>889,671</u>	<u>1,089,320</u>	<u>895,627</u>
<b>Total equity and liabilities</b>	<u><u>20,806,128</u></u>	<u><u>21,001,026</u></u>	<u><u>16,880,634</u></u>

Approved for issue by the Board of Directors on August 5, 2015 and signed on its behalf by:

  
 \_\_\_\_\_  
 Jeffrey Hall Chairman

  
 \_\_\_\_\_  
 Alvin Henry Director

\*reclassification

**Kingston Wharves Limited**  
**Financial Information by Operating Segment (Unaudited)**  
**Six Months ended 30 June 2015**

(expressed in Jamaican dollars unless otherwise indicated)

	Terminal Operations \$'000	Cold Storage Services \$'000	Security Services \$'000	Other Eliminations \$'000		Group \$'000
External operating revenue	1,880,285	45,000	228,722	-	-	2,154,007
Operating revenue from segments	3,044	1,984	27,452	970	(33,450)	-
Total revenue	1,883,329	46,984	256,176	970	(33,450)	2,154,007
Operating profit/(loss)	580,327	21,498	16,064	(75,682)	(2,988)	539,219
Interest Expense	(87,785)	(73)	-	(286)	2,988	(85,155)
	492,542	21,425	16,064	(75,966)	-	454,064
Foreign exchange gain/( loss)						34,366
Profit before taxation						488,430
Taxation						(57,151)
Profit before minority interest						431,279
Minority Interest						(4,317)
<b>Net Profit</b>						<b>426,962</b>
Segment assets	15,399,568	963,396	239,662	3,678,541	(164,783)	20,116,383
Unallocated assets						689,745
Total assets						20,806,128
Segment liabilities	2,239,058	11,289	35,236	15,181	(92,752)	2,208,012
Unallocated liabilities						1,371,496
Total liabilities						3,579,508
<b>Other segment items:</b>						
Interest Income	16,416	10,573	2,377	5,918	(2,988)	32,296
Capital expenditure	435,031	-	1,894	-	-	436,925
Depreciation charge	199,661	8,682	1,555	68,228	-	278,126

**Kingston Wharves Limited**  
**Financial Information by Operating Segment (Unaudited)**  
**Six Months ended 30 June 2014**

(expressed in Jamaican dollars unless otherwise indicated)

	Terminal Operations \$'000	Cold Storage Services \$'000	Security Services \$'000	Other Eliminations \$'000      \$'000		Group \$'000
External operating revenue	1,533,551	42,143	204,350	-	-	1,780,044
Operating revenue from segments	1,532	2,280	26,568	970	(31,350)	-
Total revenue	1,535,083	44,423	230,918	970	(31,350)	1,780,044
Operating profit/(loss)	747,162	24,263	5,404	(27,638)	(204,087)	545,104
Interest Expense	(134,162)	(61)	-	(380)	4,087	(130,516)
	613,000	24,202	5,404	(28,018)	(200,000)	414,588
Foreign exchange gain/( loss)						-
Profit before taxation						414,588
Taxation						(59,353)
Profit before minority interest						355,235
Minority Interest						(1,351)
<b>Net Profit</b>						<b>353,884</b>
Segment assets	12,580,009	798,146	222,029	2,808,932	(193,469)	16,215,647
Unallocated assets						664,987
Total assets						16,880,634
Segment liabilities	2,309,351	9,620	50,710	13,123	(96,110)	2,286,694
Unallocated liabilities						1,489,778
Total liabilities						3,776,472
<b>Other segment items:</b>						
Interest Income	13,821	16,220	2,018	6,633	(4,087)	34,605
Capital expenditure	672,070	-	637	-	-	672,707
Depreciation charge	156,841	10,210	2,180	35,441	-	204,672



**Kingston Wharves Limited**  
**Consolidated Statement of Changes in Equity (Unaudited)**  
**Six Months ended 30 June 2015**

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to Stockholders of the company						
	Share Capital \$'000	Capital Reserves \$'000	Asset Replacement/ Rehabilitation and Depreciation Reserves \$'000	Retained Earnings \$'000	Total \$'000	Minority Interest \$'000	Total Equity \$'000
<b>Balance at 1 January 2014</b>	<b>2,079,398</b>	<b>7,177,601</b>	<b>215,391</b>	<b>3,217,003</b>	<b>12,689,393</b>	<b>59,534</b>	<b>12,748,927</b>
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	135	(135)	-	-	-
Total comprehensive income for period	-	-	-	353,884	<b>353,884</b>	1,351	<b>355,235</b>
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,290	(6,290)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	6,290	(6,290)	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>2,079,398</b>	<b>7,183,891</b>	<b>215,526</b>	<b>3,564,462</b>	<b>13,043,277</b>	<b>60,885</b>	<b>13,104,162</b>
<b>Balance at 1 January 2015</b>	<b>2,079,398</b>	<b>10,979,829</b>	<b>215,668</b>	<b>3,683,366</b>	<b>16,958,261</b>	<b>66,196</b>	<b>17,024,457</b>
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	124	(124)	-	-	-
Total comprehensive income for period	-	(170,586)	-	426,962	256,376	4,317	260,693
Effect of change in tax rate on deferred taxation	-	(58,530)	-	-	(58,530)	-	(58,530)
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,290	(6,290)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	6,290	(6,290)	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>2,079,398</b>	<b>10,757,003</b>	<b>215,792</b>	<b>4,103,914</b>	<b>17,156,107</b>	<b>70,513</b>	<b>17,226,620</b>

**Kingston Wharves Limited**  
**Consolidated Statement of Cash Flows (Unaudited)**  
**Six Months ended 30 June 2015**

(expressed in Jamaican dollars unless otherwise indicated)

	June 2015	June 2014
	J\$'000	J\$'000
<b>Cash Provided from Operating Activities</b>	590,590	363,553
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(436,925)	(512,610)
Purchase of Intangibles	(746)	(160,097)
Proceeds from sale of property plant and equipment	9,467	-
Cash used in investing activities	(428,206)	(672,707)
<b>Cash Flows from Financing Activities</b>		
Long term loans repaid	(198,046)	(286,580)
Net cash provided by/(used in) financing activities	(198,046)	(286,580)
Net decrease in cash and cash equivalents	(35,661)	(595,734)
Net cash and cash equivalents at beginning of period	2,909,435	3,159,899
Exchange adjustment on foreign currency cash and cash equivalents	14,309	-
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,888,083</b>	<b>2,564,165</b>
<b>Comprising:</b>		
Cash and bank	1,180,524	1,112,910
Short term investments	1,707,559	1,451,255
	<b>2,888,083</b>	<b>2,564,165</b>

## **Kingston Wharves Limited**

### **Notes to the Financial Statements (Unaudited) for six months ended 30 June 2015**

#### **Summary of Significant Accounting Policies**

##### **1. Identification and Principal Activities**

The company and its subsidiaries (the Group) are incorporated and resident in Jamaica. The principal activities of the company and its subsidiaries comprise the operation of public wharves, security services and the provision and installation of cold storage facilities.

The wharfage rates and penal charges billed to customers by the company are subject to regulation by the Port Authority of Jamaica. The tariff rate structure which was approved by the Port Authority of Jamaica became effective in April 1998.

The company's registered office is located at the Kingport Building, Third Street, Newport West, Kingston 13.

The company is a public company listed on the Jamaica Stock Exchange.

##### **2. Basis of Preparation**

The condensed interim financial information for the period ended 30 June 2015 has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2014.

Accounting policies used are consistent with those used in the consolidated financial statements. Presentation of the condensed interim financial information is consistent with the annual financial statements. Where necessary the financials have been reclassified or extended from the previously reported condensed interim financial information to take into account any presentational changes made in the annual consolidated financial statements or in those condensed financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of the current events and action, actual results could differ from those estimates. The procedures in determining these estimates are disclosed in Note 3.

##### **3. Critical Accounting Estimates and Assumptions in Applying Accounting Policies**

The Group makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **4. Fixed Assets**

All fixed assets are initially recorded at cost. Freehold land, plant and building are subsequently shown at market value, based on periodic (triennial) valuations by external independent valuers, less subsequent depreciation of plant and building. All other fixed assets are carried at cost less accumulated depreciation.

Warehouse 7 removal has been accounted for based on IFRS and the associated net book value arising from revaluation including the deferred income taxes has been accounted for through Other Comprehensive Income.

## 5. Intangible Assets

Separately acquired rights and benefits under third party contracts with a finite useful life are shown at historical cost less subsequent amortisation. This is tested annually for impairment and carried at cost less accumulated losses. Other intangible assets which include computer software licenses are shown at historical cost and amortised over their estimated useful lives.

## 6. Deferred Tax

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 9% (2014 – 8.5%) for the parent and 25% (2014- 25%) for subsidiaries.

## 7. Segment Reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. The Group is organised into the following business segments:

- (a) Terminal operations - This incorporates the operation of public wharves and the stevedoring of vessels.
- (b) Cold Storage services - This incorporates the provision and installation of cold storage facilities and air conditioning units.
- (c) Security services - This incorporates provision of security services
- (d) Other - Other operations of the Group comprise property rental.

# KINGSTON WHARVES LIMITED

## TOP TEN SHAREHOLDERS AT JUNE 30, 2015

**1,430,199,578**

NAMES	SHAREHOLDING	% OF CAPITAL
JAMAICA PRODUCERS GROUP LTD	600,736,635	42.0037
S.B.D. LLC	300,689,810	21.0243
SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	168,933,715	11.8119
KINGSTON PORTWORKERS SUPERANNUATION FUND	159,405,130	11.1457
MARITIME & TRANSPORT SERVICES LTD	71,475,924	4.9976
LANNAMAN & MORRIS (SHIPPING) LTD	28,845,258	2.0169
SAGICOR POOLED EQUITY FUND	11,575,633	0.8094
NCB INSURANCE CO LTD. - A/C WT 181	10,000,000	0.6992
SEAFREIGHT LINE	6,029,108	0.4216
A. E. PARNELL	4,277,776	0.2991
	<b>1,361,968,989</b>	<b>95.2293</b>
	JCSD	1,546
	MAIN REGISTER	1,280
NO. OF SHAREHOLDERS AT JUNE 30, 2015	TOTAL	<b>2,826</b>

**KINGSTON WHARVES LIMITED**

**DIRECTORS & SENIOR MANAGERS' SHAREHOLDINGS AT JUNE 30, 2015**

<b>NAMES</b>	<b>SHAREHOLDING</b>	<b>CONNECTED PARTIES</b>	<b>SHAREHOLDING</b>
<b>DIRECTORS</b>			
GRANTLEY STEPHENSON	331,369		
ROGER HINDS	NIL	TRANSOCEAN SHIPPING LIMITED	1,481,481
KIM CLARKE	NIL	MARITIME & TRANSPORT SERVICES LTD.	71,475,924
		SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	168,933,715
	NIL	A.E. PARNELL COMPANY LIMITED	4,277,776
HARRIAT MARAGH	NIL	LANNAMAN & MORRIS SHIPPING LTD. SEAFREIGHT LINE LIMITED	28,845,258 6,029,108
CHARLES JOHNSTON	24,458	JAMAICA FRUIT & SHIPPING LIMITED JAMAICA PRODUCERS GROUP LIMITED	709,507 600,736,635
ALVIN HENRY	91,333		
KATHLEEN MOSS	2,000	JAMAICA PRODUCERS GROUP LIMITED ASSURANCE BROKERS LIMITED	600,736,635 1,000,000
JEFFREY HALL	NIL	JAMAICA PRODUCERS GROUP LIMITED	600,736,635
MARSHALL HALL	NIL	JAMAICA PRODUCERS GROUP LIMITED MCGOWAN PROPERTIES LIMITED	600,736,635 381,976
BRUCE BRECHEISEN	NIL	S.B.D. LLC	300,689,810
ROBERT SCAVONE	NIL		
DORIAN VALDES	NIL		

**SENIOR MANAGERS**

<b>NAMES</b>	<b>SHAREHOLDING</b>	<b>CONNECTED PARTIES</b>	<b>SHAREHOLDING</b>
ANNA HARRY	NIL		
CLOVER MOODIE	NIL		
DEAN PANTON	NIL		
JODENIA FERGUESON BRYAN	NIL		
LLOYD SMITH	NIL		
MARCELLO RICHARDS	NIL		
MARK WILLIAMS	NIL		
RYAN PEART	NIL		
STEVE WHYTE	NIL		
VALRIE CAMPBELL	NIL		